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ABSTRACT

Rural economic development depends on implementation of strategies that capture the competitive edge of the total rural environment. It will not succeed by weak duplication of traditional urban development strategies. The historic dependence on the natural resource base that is the common denominator for rural areas must be regarded not as a liability but rather as an opportunity. Research on successful rural economic development initiatives has revealed some primary keys to success. These include: (1) creating community spirit and cooperation through training for local leaders and volunteers and consensus building among agricultural and nonagricultural political factions; (2) capitalizing on existing resources and recognizing the diversity of possible community resources; (3) aggressively pursuing cash transfer strategies through venture capital networks and grant opportunities; (4) helping entrepreneurs to get started and existing businesses to stay and expand; (5) adding value to existing natural resource-based products by building broad natural resource and business coalitions throughout a rural region; and (6) emphasizing economic and demographic research, strategic and land-use planning, and a long-term focus. (SV)

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REMARKS ON SUCCESSFUL ECONOMIC DEVELOPMENT PROGRAMS
IN RURAL AREAS*

Margaret G. Thomas

Good morning! I am very pleased to be here to share some of the insights we at Midwest Research Institute (MRI) have gained on the subject of rural economic development. MRI has conducted several rural economic development research and technical assistance projects for the Economic Development Administration of the U.S. Department of Commerce during the past four years. A list of publications resulting from that research is available; just drop me a note if you'd like to receive the list.

Much of this research has utilized detailed telephone interviews with local community leaders. As a result of these extensive contacts and the accompanying research on successful initiatives, I feel we at MRI are in a unique position to comment on the keys to successful rural economic development. This morning I'd like to mention six of the primary keys to success, and I'll point out some innovative steps to achieve each of these.

Key to Success No. 1: Seek training and capacity building for local leaders. Even with a full-time professional, you can't depend on one person. The more volunteers, the better off your program will be. But the more volunteers, the greater your need for consensus-building skills. We're talking about ways to get a community or--much better--an entire county pulling together.

What are some ideas to get training in capacity building?

1. You can send volunteers to training seminars. There are excellent seminars around the country being offered on such topics as grantsmanship, effective private fund raising, or consensus building. You might send your volunteers to learn computer programs that will simplify or speed up something you're already doing.

* Presentation on October 10, 1988, in Columbia, Missouri, to the Missouri Industrial Development Council. Ms. Thomas is a Senior Resource Planner with Midwest Research Institute, 425 Volker Boulevard, Kansas City, Missouri 64110.

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2. Break down old county political divisions between the agricultural and the nonagricultural interests. If your farm community is not working closely with your town community, you haven't got a team. You're always going to have some political factions, no matter what you do. You've got to get everyone to just accept this as a fact, then set it aside to work for economic development for the whole county. Try some new organizational arrangements to build consensus between the agricultural and nonagricultural interests. You might use agribusiness committees in your chambers of commerce, or try farm city coalitions for special events. Getting your economic data together to clearly show the economic linkages and interdependencies would be important too.
3. Get your local community college to organize an actual class on economic and educational development. Personally invite participants. Charge tuition, and use it for class expenses. You can also invite participants to contribute in-kind services to substitute for tuition. Combine classes with field trips to explore alternative development strategies in other counties and other states.

Key to Success No. 2: Capitalize on existing resources, but remember there is tremendous diversity in the concept of resources. Our *Profiles* publication has examples where each of the following became the key "resource" a rural community or county developed successfully: a natural, historic, ethnic, or scenic resource; the high school; the community college; an interstate highway; a former military installation; or even a vacant building. In addition, every area has unique human resources and business resources.

What are some ideas to capitalize on your existing resources?

1. Identify the unique national or international contacts the residents of your area have. These contacts are everywhere. You'd be amazed at who knows whom, even in the most remote rural region. And we're talking European and Asian contacts here too.

2. Identify the unique knowledge that exists in your area that can be brought to bear in your efforts. For example, if you want to help area businesses get more procurements with a defense contractor, you may have a retired military professional who could spearhead that effort.
3. Regard any current large company or departing large company as a resource. The companies that are currently there can give you access to all kinds of assets, from company planes to loaning company executives. Companies that are closing may be willing to make significant contributions to economic recovery programs because there is a corporate conscience and because it makes for good public relations if handled well.

Key to Success No. 3: Aggressively pursue cash transfer strategies. Some traditional federal sources of grants and loans have declined, but new programs do exist and there are other ways of viewing transfer payments as a strategy. The idea is to get more efficient at capturing nonlocal sources of funds or income. Examples include:

- Getting more nonlocal government employment
- Getting a state or federal prison
- Being certain local governments are competing effectively for whatever aid they are entitled to request
- Assuring fullest use of public assistance programs for the elderly or the handicapped or those who are not working
- Keeping the buying power of the "silver-haired industrial base" in the area

Here are some thoughts on how to capture more cash transfer payments:

1. Start a venture capital network to transfer some of the savings and investment potential of local individuals into new local businesses. Venture capital clubs have repeatedly found hidden pools of potential investment money even in nonmetropolitan areas. To be successful in rural areas, a venture capital organization may need to promise confidentiality to investors. The organization may also need to do a little matchmaking in private. But venture capital groups can move some of those investment dollars back into the local area.

2. Get up to speed on grant opportunities: state, federal, and private. Rural economic development is a very hot topic right now. There are more opportunities than you think. There is a very current SBA directory out now on rural economic development assistance. You should all contact your SBA offices and request a copy.

Key to Success No. 4: Help entrepreneurs get started and help existing business to stay and expand. In addition to the rapid increase in small business development centers, a strategy that I'm sure you're familiar with, such efforts include quite diverse strategies. For example, to help entrepreneurs get started, consider:

1. The rural venture capital network idea.
2. A rural women's proprietorship program that combines classes, workshops, and on-site counseling to help rural women launch small businesses and to provide management support in the critical years.
3. A program to turn selected recipients of Aid For Dependent Children (AFDC) funds into quality day care providers. This strategy increases income for those individuals and opens up child care opportunities for other women wanting to enter the work force.
4. Rural school-based enterprises that can be spun off as independent businesses, either originating in local schools or in postsecondary institutions.

Consider this idea to help existing businesses stay and expand:

Focus hard on categories of existing businesses. Bring business owners together to discuss initiatives that would enhance all of their profitability. For example, depending on the type of business or industry in the region, it may be possible to benefit many separate companies by a new shared facility--for training, design, use of new technologies, storage, processing, or testing. The point is to get ahead of the game using as key resources the same businesses or industries that are already there but which need to become more competitive.

Key to Success No. 5: Focus on adding value to existing products. In rural areas often these products are natural resource-derived, such as agricultural, forestry, or livestock products. Consider these ideas:

1. Link area producers with small-scale processing plants.
2. Convert underutilized industrial parks into specialized centers. For example, agricultural parks can offer shared research, testing, packaging, and storage facilities. Such parks might include incubator kitchens for use by area specialty food providers. A forest industry park might have a sawmill, planing mill, dry kiln, woodworking company, and design firm, all at the same location.

However, keep in mind that there is more to adding value to natural resource-based products than targeting industrial parks. The real challenge, as we see it, is to build broad natural resource/business coalitions throughout a rural region and then use these coalitions to support new enterprise development. Such development should capture and conserve for long-term use the unique resource advantages of the area.

Key to Success No. 6: Emphasize research, planning, and a long-term focus. I made this point last, but it's not the least important. In fact, it's really the starting point. The five points that I've mentioned necessitate your having a strategic analysis of the socioeconomic linkages in your county. You have simply got to know a number of facts if you're going to design innovative programs. Among other information, you have got to know:

- Your region's economic base, how it's linked together, how it is shifting, and why.
- Your region's demographic changes including age, education, employment, location, and income or residents.
- The research and technology trends in the businesses and industries which are currently in your region.

In terms of planning, both strategic plans and land use plans are going to be needed even in the most conservative rural counties. Regarding a long-term focus, remember this: Many of the most successful rural areas began their programs 15 to 20 years ago. Taking a long-term view means building a community consensus on the long-term vision for your area. This is when economic development and community development merge. Development goals such as downtown revitalization and strengthening local educational opportunities are extremely pivotal to a long-term vision of an area's economic future.

I think I will summarize this way: Rural areas will become equal partners in the economic development process only if they implement strategies that capture the competitive edge of the total rural environment. They will not succeed with weak duplication of traditional urban development strategies. You must seize upon the uniqueness of existing rural resources to uncover new enterprise opportunities. The historic dependence on the natural resource base that is the common denominator for rural areas--indeed, the characteristic that makes for ruralness--must not be regarded as a liability but rather as an opportunity.

I'm going to conclude with a direct quote from a woman named Maxine Waller from a tiny town in Virginia, Ivanhoe. I don't know if this little community that has suffered every conceivable indignation will make it, but here's the way the volunteer president of their local development organization sees it. She's relating the impact on her young son of her frequent absence from home while trying to put the community she loves back on its feet.

"I could tell it was tearing my son apart, so one night we sat down at the table and I said I thought I was going to quit because nothing is as important as my family. He looked me square in the eye and straightened up and said, 'Mama, don't you understand that nobody else has a right to complain about anything? Because I'm the one that doesn't have any clean clothes anymore and comes home to the cold house, and I don't have anything to eat and have to cook everything. But you're not going to quit because if you do, the people in Ivanhoe won't have a future.' And I said, 'Yes, sir! I'm not going to quit!' And I won't."

I believe that the sons and daughters of people like Maxine Waller live throughout rural America. May we all find renewed commitment from their strength!